

Message Text

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ACTION EUR-25

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SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 USIA-15 PRS-01

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R 311437Z MAY 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 3687

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

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C O N F I D E N T I A L THE HAGUE 2744

E.O. 11652: N/A

TAGS: ENRG, NL

SUBJECT: PRICES OF GASOLINE AND CRUDE OIL IN NETHERLANDS

SUMMARY: NETHERLANDS PRICE CONTROLS APPEAR TO BE SQUEEZING OIL COMPANY PROFITS IN MANNER SIMILAR TO BELGIUM UNTIL RECENT BELGIAN PRICE INCREASES. AS RESULT SOME COMPANIES HAVE ALLEGEDLY WITHDRAWN FROM THIS MARKET. END SUMMARY
BEGIN UNCLASSIFIED.

1. SHELL OIL, AS SPOKESMAN FOR DUTCH PETROLEUM INDUSTRY, IS CONTINUING PRESSURE ON GON TO INCREASE RETAIL AND WHOLESALE PRICE LEVEL OF GASOLINE. PRESENT LEVEL IS 98 GUILDER CENTS PER LITER FOR HIGH TEST. COMPANY MAINTAINS THAT PRICE INCREASES ALREADY ALLOWED ON PETROLEUM PRODUCTS COVER ONLY 3/4 OF INCREASE IN COST AND INCREASE IN GASOLINE PRICES IS NEEDED TO PREVENT SCARCITY OF GASOLINE SUPPLY IN NETHERLANDS. INDUSTRY MAINTAINS THAT
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GASOLINE SALES NOW CONSTITUTE SUBSTANTIAL LOSS IN NETHERLANDS

AS THEY DID IN BELGIUM BEFORE PRICE RISE WAS RECENTLY ALLOWED. LOCAL INDEPENDENTS ASSERT, HOWEVER, THAT THEY CAN MAKE PROFIT AT EXISTING PRICES.

2. SHELL ANNOUNCED ON MAY 27 THAT IT WILL CONVERT ITS GASOLINE PUMPS COUNTRYWIDE TO OPERATE AT HALF-LITER PRICES INSTEAD OF WHOLE LITERS. PUMP PRICE MECHANISM DOES NOT WORK WITH PRICE OF OVER 99 CENTS PER UNIT.

3. GOVERNMENT HAVE THUS FAR REACTED UNSYMPATHETICALLY TO OIL COMPANY PRESSURE FOR INCREASED PRICES. ECONOMIC MINISTER LUBBERS SAYS HE WILL NOT BE SWAYED BY SHELL'S THREAT THAT SUPPLY WILL GO TO OTHER COUNTRIES UNLESS HIGHER PRICES ARE ALLOWED IN NETHERLANDS. HIS INTEREST IS TO RESTRICT PRICE INCREASE TO LEVEL NECESSARY TO MEET INCREASED COSTS, AND HE POINTS OUT THAT IT PROVES DIFFICULT TO DETERMINE JUST HOW MUCH COMPANIES MUST PAY FOR CRUDE OIL. AT SAME TIME PRIME MINISTER DEN UYL MAINTAINS THAT IN JUDGING NECESSITY OF PRICE INCREASES, AUTHORITIES WILL LOOK AT THE PROFITS MADE BY OIL COMPANIES.

4. ANP PRESS SERVICE REPORTS THAT INTERNATIONAL PRICES OF GASOLINE AND NAPHTHA, THE TWO PRODUCT CATEGORIES PRESENTLY IN RELATIVELY SHORT SUPPLY, HAVE DROPPED ABOUT 10 PERCENT SINCE JANUARY. OTHER PRODUCT PRICES HAVE DROPPED 40-50 PERCENT. RECENT QUOTATIONS IN US DOLLARS PER TON ON FREE MARKET ARE AS FOLLOWS:

	DURING CRISIS	JANUARY	END MAY
FUEL OIL	140	125	60
DIESEL & HEATING OIL	245	150	90
KEROSENE	245	200	100
HI TEST GASOLINE	210	175	160
NAPHTHA	170	160	145

5. INDUSTRY CONTACTS CONFIRM ABOVE FIGURES BUT POINT OUT THAT NETHERLANDS PRICE CONTROLS HOLD DOMESTIC PRICES AT SUBSTANTIALLY LOWER LEVELS, THUS CREATING COMMERCIAL PRESSURE TOWARD SALES ABROAD OR, E.G. IN CASE OF GASOLINE, LOSS POSITION IN NETHERLANDS. THEY SAY THAT GOV OFFICIALS ARE JUDGING COMPANIES' DOMESTIC PRICE POSITION IN LIGHT OF WORLDWIDE PROFITS, THUS IN EFFECT FORCING THEM TO SUBSIDIZE LOW DUTCH PRICES BY INTER-CONFIDENTIAL

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NATIONAL PROFITS. WITH REGARD TO ACTUAL COST OF CRUDE (SEE PARA 3) COMPANY INFORMANT STATES THAT THEY THEMSELVES DO NOT YET KNOW WHAT IT WILL BE, BECAUSE PRICE LEVELS RETROACTIVE TO JANUARY 1 DEPEND ON PRODUCER GOVERNMENT DECISIONS WHICH HAVE NOT YET BEEN MADE. BECAUSE OF NETHERLANDS PRICE CONTROLS, HE REPORTS, CERTAIN INTERNATIONALS WHO HAVE NO REFINERIES IN NETHERLANDS HAVE ALREADY SUSPENDED SALES HERE. END UNCLASSIFIED

6. OUR INFORMANT IN PARA 5 IS TEXACO. COMPANIES REPORTED TO
HAVE SUSPENDED SALES ARE OCCIDENTIAL AND ARAL.
TANGUY

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